

Message Text

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ACTION ARA-14

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C O N F I D E N T I A L SAN SALVADOR 3583

SAN JOSE FOR JOHN O'GRADY (ARA)
STATE ALSO FOR LA/MRSD (GEORGE PHILLIPS)

E.O. 11652: GDS
TAGS: ELAB, ES
SUBJ: UNION COMUNAL SALVADORENA (UCS): PROBLEMS WITH GOES-
RUN BANKS MAY HAVE BEEN OVERSTATED

REF: SAN SALVADOR 3310

SUMMARY. AFTER CONTACTS WITH NON-UCS SOURCES WITH SOME
KNOWLEDGE OF UCS AFFAIRS, EMBASSY IS CONCERNED THAT UCS
LEADERSHIP MAY HAVE BEEN PRESENTED A TOO ONE-SIDED VIEW OF ITS
DIFFICULTIES WITH GOES-RUN BANKS IN ITS JUNE 26 INTERVIEW
WITH AMBASSADOR. END SUMMARY

1. DURING A CALL ON THE AMBASSADOR ON JUNE 26 (SEE REFTEL),
SECRETARY-GENERAL VIERA AND OTHER MEMBERS OF THE NATIONAL EX-
ECUTIVE COUNCIL OF THE UCS ALLEGED THAT CREDITS TO THE CO-
OPERATIVES OF "GUAJOYO", "LOS APOYOS", AND "LA CONCORDIA"
HAD BEEN DELIBERATELY HELD UP BY THE GOES. VIERA ALLEGED
THAT THIS WAS BEING DONE SO THAT THESE COOPERATIVES WOULD
FAIL AND THE GOES COULD THEN SAY THAT "CAMPEsinOS" WERE NOT
CAPABLE OF RUNNING THEIR OWN AFFAIRS. HE ALSO ALLEGED THAT THE
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GOES-RUN SALVADORAN AGRARIAN TRANSFORMATION INSTITUTE (ISTA)
WAS INTERESTED IN TAKING OVER "GUAJOYO" AND "LOS APOYOS".

2. AFTER CONTACTS WITH OTHER PEOPLE WHO HAVE SOME KNOW-
LEDGE OF THESE PROBLEMS, EMBASSY IS CONCERNED THAT UCS
LEADERSHIP MAY HAVE PRESENTED A TOO ONE-SIDED VIEW OF THE
SITUATION. IN A CONVERSATION PRIOR TO JUNE 26, ONE SALVADORAN

WITH A KNOWLEDGE OF AND INTEREST IN UCS AFFAIRS TOLD EMBOFF THAT AS FAR AS HE COULD TELL, THE PROBLEM WITH SOME LOANS TO UCS COOPERATIVES (HE DID NOT MENTION "GUAJOYO", "LOS APOYOS", OR "LA CONCORDIA" SPECIFICALLY) WAS THAT THE PAPERWORK HAD NOT BEEN PRESENTED IN A PROPER MANNER AND THAT CERTAIN REQUIREMENTS HAD NOT BEEN COMPLIED WITH BY THE UCS LEADERSHIP. HE MAINTAINED THAT THE PROBLEM WAS DUE TO WHAT HE CALLED THE "ADMINISTRATIVE CHAOS" REIGNING AT UCS HEAD-QUARTERS.

3. IN A JULY 11 CONVERSATION, AN AMERICAN CONTACT WITH WORK EXPERIENCE WITH THE UCS AND SOME KNOWLEDGE OF THE "GUAJOYO" AND "LOS APOYOS" PROPERTIES STATED THE PROBLEMS WITH BOTH HAD BEEN MAINLY DUE TO MISMANAGEMENT AND THAT BANKS COULD HAVE REFUSED CREDITS BECAUSE OF THIS. SPEAKING SPECIFICALLY ABOUT "GUAJOYO", THE LARGEST OF THE PROPERTIES, HE STATED THAT ONE OF THE BASIC REASONS THAT "GUAJOYO" IS NOT SELF-SUPPORTING AND HAS NOT BEEN ABLE TO MEET PAYMENTS IN THE PAST IS THAT OUT OF A POSSIBLE 1,200 "MANZANAS" THAT CAN BE CULTIVATED, ONE 450 WERE, FOR EXAMPLE, CULTIVATED IN 1977.

4. THIS CONTACT STATED THAT IF IT WANTED TO, "GUAJOYO" WOULD NOT EVEN HAVE TO RELY ON GOES LINES OF CREDIT IN ORDER TO BE SELF-SUFFICIENT. HE SAID THAT THERE IS A PRIVATE TOBACCO COMPANY WHICH DONATES SEEDS, FERTILIZER, ETC. TO COOPERATIVES AND TAKES ITS CUT OUT OF THE FINAL CROP. THIS
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COMPANY APPARENTLY ENTERED INTO THE TYPE OF ARRANGEMENT ON A TRIAL BASIS WITH "GUAJOYO" IN 1977, WITH OUTSTANDING FINANCIAL RESULTS FOR ALL CONCERNED. HE SAID THAT THIS ARRANGEMENT COULD HAVE EASILY BEEN EXPANDED TO COVER ADDITIONAL ARABLE ACREAGE AT "GUAJOYO" BUT WAS NOT.

5. HE SAID THAT "GUAJOYO" IN THE PAST HAD ALSO HAD GOOD CROPS OF POTATOES AND WATERMELONS WHICH ARE BOTH SELF-SUSTAINING, PROVIDING SEEDS FOR THE FOLLOWING YEAR. HE MAINTAINED THAT THERE WAS THUS NO REASON FOR "GUAJOYO" AND "LOS APOYOS" TO GO UNCULTIVATED IN 1978. HE ALLEGED THAT, UNFORTUNATELY, THE UCS HAD COME TO OVER-RELY ON OUTSIDE CREDIT SOURCES RATHER THAN TRYING TO GAIN SELF-SUFFICIENCY. HOWEVER, HE SAID THAT DUE TO MISMANAGEMENT, SOME GOES CREDIT SOURCES COULD WELL HAVE DRIED UP. HE CONCLUDED BY SAYING THAT "EVEN IF HE WERE A LOAN SHARK, HE WOULD NOT LOAN MONEY TO "GUAJOYO" AND "LOS APOYOS" BECAUSE THEY ARE BEING SO POORLY MANAGED."

6. IN OTHER DEVELOPMENTS, POLITICAL OFFICER AT JULY 4 RECEPTION AT AMBASSADOR'S RESIDENCE AND AT A RECEPTION ON JULY 6, RAISED QUESTION OF AIFLD'S REENTRY WITH THE MINIS-

TER OF LABOR. ON BOTH OCCASIONS, MINISTER OF LABOR CHANGED THE
SUBJECT AND AFTER A FURTHER EXCHANGE OF COURTESIES, WALKED
AWAY.

7. COMMENT: WITH RESPECT TO QUESTION OF ALLEGED DENIAL OF
CREDIT LINES TO THE UCS BY GOES-RUN BANKS, EMBASSY FEELS
THAT THIS IS AN ISSUE ON WHICH NO FINAL ANSWERS ARE READILY
AVAILABLE. WHILE VERSIONS PRESENTED BY NON-UCS SOURCES MAY ALSO
BE OPEN TO SOME QUESTION, EMBASSY IS CONCERNED THAT PRICIP-
ITOUS ACTION MAY BE TAKEN WITH RESPECT TO UCS BY AFL-CIO
AND AIFLD ON THE BASIS OF INCOMPLETE OR ONE-SIDED INFORMATION.
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